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Decent Work and Environmental Sustainability: The Role of Social Enterprises in Just Transition

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1. *Introduction*

This article examines whether and to what extent labour law and social enterprises can contribute to the promotion of decent work and environmental sustainability in the context of the green transition. While international and European policy frameworks increasingly emphasise the need for a just transition, the practical implementation of these objectives requires institutional mechanisms capable of combining environmental goals with social inclusion and employment opportunities. Social enterprises represent one of the potential instruments for achieving these objectives.

The article first outlines the concepts of decent work and environmental sustainability and discusses the relationship between labour law and the green transition. It then analyses the role of social enterprises in promoting social and environmental objectives and critically evaluates the Slovak le-

gal framework governing social entrepreneurship as a case study. Particular attention is paid to the extent to which current legislation supports social enterprises as actors of a just transition and to the challenges that limit their effectiveness in practice.

Methodologically, the study is based on qualitative strategy drawing on legislation, international and European policy documents, academic literature and expert reports. Using doctrinal and functional approaches, the article assesses the strengths and weaknesses of the Slovak regulatory framework and formulates recommendations for its further development. The article contributes to legal scholarship by extending the discussion on just transition beyond traditional labour-law instruments and examining social enterprises as potential institutional actors linking decent work, social inclusion and transition-related activities.

2. *Theoretical Background*

2.1. *Decent Work*

The right to decent work lies at the core of labour law, and its enforcement at the global level has been endorsed by the ILO since its inception. ILO's report titled "Decent Work" defines "Decent Work" as a most recent goal of ILO endeavours and the "converging focus of all its four strategic objectives: the promotion of rights at work; employment; social protection; and social dialogue"[1]. As argued by Ghai, political implications of decent work include focus on opportunities for work that are productive and deliver a fair income, provide security in the workplace and social protection for families, offer better prospects for personal development and social integration, and ensure freedom for people to express their concerns, organize, and participate in decisions that affect their lives, emphasizes equality of opportunity and treatment for all women and men. Decent work applies not just to workers in the formal economy but also to unregulated wage workers, the self-employed and home workers. It also refers to adequate opportunities for work, remuneration (in cash and in kind), and embrac-

[1] ILO, *Report of the Director-General: Decent Work*, International Labour Conference, 87th Session, Geneva, 1999.

es safety at work and healthy working conditions[2]. An attribute of decent work also includes safe working conditions in a broad sense. Workers (especially in sectors such as agriculture) should be protected from social and environmental risks.

An integrative approach to decent work and environmental protection is endorsed also by the European Union (EU). The environmental rights of employees arising from EU legislation have recently been the subject of extensive analysis by European Trade Union Institute ETUI experts[3]. Also, job quality in the context of "just transition" had been explored[4].

2.2. *Environmental Sustainability*

Environmental sustainability has become a key objective of international, European and national policies. In the European context, the concept is closely linked to the Green Transition, which refers to the shift from a fossil-fuel-based economy towards a low-carbon and resource-efficient model of development. This process encompasses decarbonisation, the expansion of renewable energy sources, the promotion of a circular economy and the reduction of environmental risks. The term appears in policy frameworks such as the European Green Deal[5] (European Commission, 2019) and in UNEP studies[6], which emphasise the need to create "green jobs" and a Just Transition to minimise social inequalities.

The concept of sustainable development challenges traditional growth-oriented economic models by emphasising that long-term economic prosperity cannot be achieved through the unsustainable exploitation of natural resources or by externalising environmental and social costs. The transition towards a sustainable economy therefore requires economic actors capable of combining economic activity with environmental respon-

[2] Ghai, *Decent Work: Concept and Indicators*, in *ILR*, 2003, 2, pp. 113-145.

[3] Arabadjieva, Tomassetti, *Towards Workers' Environmental Rights - An Analysis of EU Labour and Environmental Law*, in *ETUIWP*, 2024.02.

[4] See e.g. Zwysen, *Green Transition and Job Quality: Risks for Worker Representation*, ETUI Technical Brief 2024.02, European Trade Union Institute, Brussels.

[5] European Commission, *The European Green Deal*, COM(2019) 640 final, 2019.

[6] UNEP, *Green Jobs: Towards Sustainable Work in a Low-Carbon World*, 2008, available at www.wedocs.unep.org (accessed 18 April 2025).

sibility and social objectives. In this context, increasing attention is being paid to organisations that contribute simultaneously to environmental protection, social inclusion and the creation of decent jobs.

As Colombo argues, the Green Transition may constitute the basis for a new economic and social model combining environmental protection with social cohesion and equity[7]. This aspect is particularly relevant for labour law and social economy policies, as the transition to a "greener" economy is expected to affect employment structures, qualifications and working conditions across multiple sectors.

Against this background, social enterprises have attracted increasing attention as organisations capable of combining economic activity with social inclusion, employment creation and environmental objectives. Their potential contribution to a just transition therefore deserves closer legal examination.

3. *Intersections of labour law and green transition*

3.1. *Green jobs and labour market transformation*

The intersections between labour law and the transition to a green economy represent an important topic that encompasses various aspects of social justice, sustainable development, and environmental protection. In 1987, the United Nations "Brundtland" Commission defined sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs"[8]. Recently, the UN Sustainable Development Goals (SDG) form the framework for improving the lives of populations and mitigating the hazardous man-made effects of climate change.

In the last 15 years, many international strategic documents have emerged by UN, ILO[9] and EU as well[10] and publications resulting from

[7] Colombo, *Social Cooperatives and Inclusion: A Model for Labour Law Sustainability*, in this journal, 2023, 2, p. 38.

[8] UN, *Report of the World Commission on Environment and Development: Our Common Future*, Oslo, 1987, available at www.un-documents.net.

[9] ILO, *Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All*, 2015.

[10] European Commission, *The European Green Deal*, cit., available at www.ec.europa.eu (accessed 18 April 2025).

academic research and expert practice are continuously increasing. Environmental goals overlap with UN "Sustainable development goals" agenda. Insights into the crossectionality of labour law and environmental issues can be found also in UN AGENDA 2030[11].

The 2030 Agenda is a global framework adopted by all UN Member States in 2015. It aims to achieve sustainable development in its three dimensions – economic, social and environmental – by 2030 through 17 Sustainable Development Goals (SDGs) and 169 specific targets. The document emphasizes the principles of "leave no one behind", the universality and interconnectedness of the goals. It is a plan to transform the world towards prosperity, peace and protection of the planet. Especially SDG 13: Climate Action calls for integrating measures to prevent climate change within development frameworks.

International policy documents frequently distinguish between 'brown', 'white' and 'green' jobs according to their environmental impact. 'Brown' jobs are sometimes referred to as 'dirty' because they have the most severe impacts on environmental pollution. 'White' jobs are considered neutral in terms of such impacts, and finally, 'green' jobs actively support the restoration of the environment and natural resources or protect them from damage risks. UNEP has highlighted that the transition towards a greener economy may result in job creation, job transformation and the decline of environmentally unsustainable forms of employment.

As pointed out by R. Klimko, the first report that focused on the creation of "green jobs" in selected sectors and economies at the global level was the report by UNEP published in 2008[12], which defined "green jobs" as jobs in certain sectors (agriculture, manufacturing, research and development, administrative and service activities) that significantly contribute to the preservation or restoration of environmental quality. Specific examples of green jobs include jobs that help a) protect ecosystems and biodiversity, b) reduce energy, material, and water consumption, c) decarbonize the economy, and d) minimize or completely prevent the generation of any forms of waste and pollution. According to the authors of the report, employment will be affected in at least four ways: (1) Creation of new jobs. In some cases, new jobs will

[11] UN, *The 2030 Agenda for Sustainable Development*, available at www.unsdg.un.org (accessed 18 April 2025).

[12] UNEP, *Green Jobs*, cit.

be created, e.g., manufacturing equipment to control pollution produced by existing manufacturing facilities. (2) Replacement of 'dirty' jobs. Some jobs will be replaced, such as transitioning from fossil fuels to renewable energy sources or from landfilling to waste recycling. (3) Elimination of jobs without direct replacement. For example, when the production of non-ecological products is stopped. (4) Transformation, 'greening' of existing jobs. The report anticipates that existing jobs will be transformed and redefined due to the greening of work methods and procedures, such as construction workers[13]. According to Klimko and other authors, the specific impacts on employment vary across companies, industries, regions, and countries.

The environmental impact of employment according to Bohnenberger can be assessed in four dimensions: (1) output type: sustainable goods and services as the outputs from work, (2) occupation: green tasks and activities at the workplace, (3) work-lifestyles: working conditions that promote workers' sustainable lifestyles, (4) outcome efficiency: resource-light production processes. Thus, labour market policies are crucial leverages for sustainability transitions[14].

As pointed out by Vera Weick, "key characteristics for the process of 'greening' can be described by: (i) an increase in the share that 'green sectors' contribute to the Gross Domestic Product as well as in a country's population that is employed in these sectors; (ii) decoupling of economic growth from resource use and environmental impact; (iii) an increase in public and private investment going into green sectors; and (iv) a changing composition of aggregated consumption in which the share of environmentally friendly products and services increases"[15].

According to the UNEP's report "Towards a Green Economy"[16], key areas of policy-making which provide crucial enabling conditions for a green economy transition are cross-sectional and include:

[13] Klimko, *Zelená ekonomika a zelené pracovné miesta pre udržateľnú budúcnosť*, Ekonomická univerzita v Bratislave, Bratislava, 2023, p. 29, available at www.nhf.euba.sk (accessed 18 April 2025).

[14] Bohnenberger, *Is It a Green or Brown Job? A Taxonomy of Sustainable Employment*, in *EcE*, 2022, 200, 107469.

[15] Weick, *Green Economy and Sustainable Development*, in Kummer Peiry, Ziegler, Baumgartner (eds.), *Waste Management and the Green Economy*, Edward Elgar Publishing, 2016, pp. 121–150.

[16] UNEP, *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication – A Synthesis for Policy Makers*, 2011, available at www.wedocs.unep.org (accessed 18 April 2025).

- establishing sound regulatory frameworks that create rights, incentives, minimum standards and prohibit the most harmful forms of behaviour and substances;
- promoting investment and spending in areas that stimulate a Green Economy (e.g. in technology, infrastructure or allied industries);
- limiting government spending in areas that deplete natural capital through a reduction of environmentally harmful subsidies;
- addressing environmental externalities and existing market failures by employing taxes and market-based instruments that promote green investment and innovation; and
- strengthening international governance in areas where international and multilateral mechanisms regulate economic activity in addition to national laws.

Building on the UNEP's report, Vera Weick claims that countries have different capacities to initiate and implement policy reform and cope with transformative change, depending on their current level of development, thus, other supporting actions are needed, such as: increase capacity and strengthen institutions, provide training and skill enhancement to the workforce, and improve general education on sustainability[17].

A sudden disruption of the economy, which would reduce the number of "brown" jobs and "dirty" industries, may raise various concerns. Social change, which will consist of changes in the labour market, needs to be regulated, in which the irreplaceable role of social policy and labour law as its sui generis tool is essential. The released workforce should be "redirected" in a socially desirable way, which will consider ecological indicators and goals, while also allowing for decent jobs. An important question is whether the creation of new jobs should be left to the "invisible free hand of the market" supported by the rule of law, or "nudging", or whether it would require stronger active involvement of the state.

3.2. *Social risks of the Green Transition*

The EC's recent analysis "The Possible Implications of the Green Transition for the EU Labour Market" warns loudly, that shifts in EU labour market "are likely to occur between sectors, firms, occupations, and regions. This calls for policymakers to anticipate and address the distributional

[17] Weick, *cit*.

risks of climate policy. Three types of jobs ("green", "white" and "brown") are distinguished that would be differently affected". Brown jobs would be most negatively affected - while on aggregate, their share is relatively small, impacts may be concentrated in sectors and regions[18].

While the Green Transition may create new employment opportunities, the emergence of new jobs does not automatically compensate for the social consequences associated with the decline of traditional sectors. New jobs may differ in terms of wages, social status, professional identity, working conditions or geographical availability. Consequently, workers affected by the decline of carbon-intensive industries may not perceive newly created employment opportunities as adequate substitutes for their previous occupations. The transition may also affect established patterns of consumption and living standards, particularly in households and regions economically dependent on declining industries.

These developments may generate new forms of social conflict and resistance to environmental policies, especially where affected groups perceive the costs of the transition as being distributed unequally.

Zimmermann conceptualises "green social risks" as social risks emerging from climate change and climate-policy responses, and links them to welfare-state arrangements, social cleavages and the legitimacy of different transition pathways. She argues that welfare states remain functionally necessary to mitigate these risks through social assistance, unemployment protection, insurance schemes and active labour-market policies[19].

Zimmermann also points to the new redistributive conflicts. She claims that political push for some restrictions of use of natural and societal sources can recall refusal by some parts of the society, can be seen as a political plot of the rich or the class struggle and lead to social and political movements, such as the "French yellow vest movement" which "emerged as protest against diesel tax increases, pointed already in 2018 to new social cleavages that might emerge around the social question in a green transformation, and protests against rising energy prices bring the issue of class struggles onto the agenda"[20].

[18] Vandeplas, Vanyolos, Vigani, Vogel, *The Possible Implications of the Green Transition for the EU Labour Market*, European Commission, Directorate-General for Economic and Financial Affairs, Brussels, 2022, available at www.economy-finance.ec.europa.eu (accessed 18 April 2025).

[19] Zimmermann, *Varieties of Green Transitions? Comparative Welfare State Research and the Social Dimension of Green Transitions*, in *EPS*, 2024, 23, pp. 56-69, at p. 58.

[20] Zimmermann, *cit.*, p. 59.

Green transition thus brings various types of social risks, many "unknown unknowns" which should be mitigated by a mix of legal measures and policies.

3.3. *The role of labour law in a just transition*

The transition to a green economy brings several challenges for employment, such as:

1. Job transformation: many traditional jobs may be replaced by new, green jobs. This requires retraining workers and investing in education.

2. Technological changes: green technologies often require specific skills that are not commonly available. This can lead to a shortage of qualified labour.

3. Social justice: it is important to ensure that the transition to a green economy is fair and does not create social inequalities. This includes protecting workers' rights and ensuring equal opportunities for all[21].

Labour law can support employment in the green economy in the following ways:

1. Creation and implementation of laws that promote green jobs and assure the protection of workers' rights in new sectors.

2. Support for retraining: laws and policies that promote retraining and education of workers to adapt to new technological requirements.

3. Social protection: ensuring social protection for workers affected by the transition to a green economy, including support in finding new jobs[22].

Labour law regulation of working time, overtime, remote work can have implications on energy consumption and carbon emission. Collective labour law can support environmental sustainability and green transition also by protection of collective bargaining which relates to implementation and supervision of sustainable policies. Promotion of collaboration between employers, trade unions and environmental organisations could prevent harmful practices[23]. Labour law enforcement is crucial in motivating employees and employers to comply with safe and sustainable practices.

[21] Klimko, *cit.*

[22] European Commission, *The European Green Deal*, cit.

[23] Arabadjieva, Tomassetti, *cit.*

Other legislative determinants of "greening the economy" may involve indirect incentives related to the business environment in which employers, as economic entities, operate. These will mainly include financial incentives (grant programs, tax reliefs, etc.) and facilitating the sale of products from such employers, e.g., prioritizing offers in public procurement of services and goods for public bodies.

In this context, social enterprises deserve particular attention as potential actors of a just transition.

4. *Social enterprises as actors of a just transition*

Numerous studies support the argument, that social enterprises effectively contribute to environmental sustainability through innovative practices and community engagement[24]. Social enterprises are known for environmentally responsible products and services and promoting responsible customer behaviour by specific marketing strategies, thus, multiplying its social impact[25]. Various types of social enterprises have different potential to be social innovators in the just transition[26].

The role of social enterprises in a just transition appears to be threefold. First, social enterprises may contribute to environmental sustainability through environmentally responsible products, services and innovative practices. Second, they may create decent work opportunities and facilitate labour market integration for vulnerable groups. Third, they may complement welfare-state policies by helping to mitigate transition-related social risks and supporting socially inclusive economic transformation.

The relevance of social enterprises in the context of a just transition therefore extends beyond environmental objectives alone. Their potential contribution lies in their ability to combine environmental sustainability, labour-market integration and social protection goals within a single institutional framework.

[24] Vickers, *Social Enterprise and the Environment: A Review of the Literature*, Working Paper 22, Third Sector Research Centre, Birmingham, 2010, available at www.birmingham.ac.uk (accessed 18 April 2025).

[25] Esa, Abdul Rahman, Ahmad, Haron, *Understanding Green Marketing Strategies in Social Enterprises and Responsible Purchase Behaviour: A Literature Review*, in *IJEMP*, 2023, 23, pp. 75-90.

[26] Calderini, Fia, Gerli, *Social Enterprises: Organizations for Transformative Innovation*, in *AMP*, 2022, 1.

This raises an important question from the perspective of labour law and social policy: to what extent does the existing legal framework enable social enterprises to fulfil these multiple functions in practice? To explore this issue, the following chapter examines the concept of social entrepreneurship and its role in promoting decent work and environmental sustainability.

4.1. *Social enterprises within the social economy*

Social economy is increasingly recognised for its capacity to address structural poverty, social exclusion and sustainable development challenges. According to the OECD, it forms part of a plural economy alongside the public and private sectors and contributes to the creation of employment opportunities, particularly for disadvantaged or marginalized groups excluded from the active participation in the labour market, and it produces new goods and services that serve the public interest. By integrating social, economic and environmental objectives, social economy entities are frequently regarded as potential contributors to inclusive and sustainable development[27].

Social enterprises represent one category of entities operating within the broader social economy. According to the European Commission, social economy entities systematically pursue a social and/or environmental purpose while placing people before profit. The concept of social enterprise has been incorporated into several EU legal instruments, including Regulation (EU) No 1296/2013 on a European Union Programme for Employment and Social Innovation; Regulation (EU) No 346/2013 on European social entrepreneurship funds; Regulation (EU) 2021/1057 establishing the European Social Fund Plus[28].

According to EU action plan on social economy (2021) and related EU initiatives, the social economy covers entities sharing the following main common principles and features:

- the primacy of people as well as social and/or environmental purpose over profit,

[27] OECD, *Improving Social Inclusion at the Local Level Through the Social Economy*, 2014, available at www.oecd.org (accessed 18 April 2025).

[28] European Commission, *Building an Economy That Works for People: An Action Plan for the Social Economy*, 2021, p. 5, available at www.socialeconomy.eu.org (accessed 18 April 2025).

- the reinvestment of most of the profits and surpluses to carry out activities in the interest of members/users ("collective interest") or society at large ("general interest"),
- and democratic and/ or participatory governance[29].

These principles are broadly consistent with the ILO Guidelines for a Just Transition (2015), which emphasise inclusive policies, social dialogue and the protection of vulnerable groups during the green transition.

If social enterprises are expected to contribute to environmental sustainability, labour-market integration and the mitigation of transition-related social risks, it is necessary to examine their actual strengths and weaknesses.

4.2. *Positive Impacts of Social Enterprises*

Social enterprises may contribute to a just transition because of their specific organisational logic. Unlike conventional firms primarily driven by profit maximisation, they are often based on prosocial motivations, compassion and a commitment to addressing unmet social needs[30]. This orientation may increase their willingness to operate in disadvantaged regions, employ vulnerable groups and engage in environmentally beneficial activities even where financial returns are limited.

Research has shown that social enterprises frequently operate under conditions of resource scarcity and therefore rely on bricolage, i.e. the creative recombination of available resources to address social and environmental challenges[31]. This flexibility may constitute an important advantage in the context of a just transition, particularly at the local level where financial and institutional resources are often limited.

There exist various legal and organizational models of social enterprises. Indeed, many recent models of social entrepreneurship have roots in the cooperative tradition, which historically combined economic activity with social and community objectives. Social cooperatives, for example, may

[29] European Commission, *Building an Economy*, cit.

[30] Bacq, Janssen, Sabbatucci, Wuillaume, *The Dark Side of Doing Good: A Guiding Framework for Advancing Research on the Negative Outcomes of Social Entrepreneurship*, in *SBE*, 2025, p. 3.

[31] Bacq, Janssen, Sabbatucci, Wuillaume, *cit.*

contribute to sustainable local development[32] and, in some cases, develop into energy cooperatives or other environmentally oriented forms of collective enterprise and thus multiply the positive social impact[33].

Community-based social enterprises may also support locally accepted transition pathways by involving local stakeholders, responding to specific community needs and strengthening local identity. Recent case-based research has identified social innovations in various sectors, including circular economy initiatives, fair trade, gender equality, local economic development, employment of disadvantaged persons and employee empowerment[34]. These examples suggest that some social enterprises are able to combine economic activity with ecological goals and inclusive employment[35].

4.3. *Negative effects and limitations of social enterprises*

Most frequently addressed issues in academic literature include financial strain, balancing social goals with economic reality in competitive markets, inability to achieve declared social goals, distrust or lack of the local community support.

Despite their potential contribution to a just transition, social enterprises often face significant economic constraints. Commercial revenues may fluctuate and may not cover mission-related costs, creating tension between social objectives and economic survival[36]. Dependence on a limited number of funding sources may further reduce organisational resilience and long-term sustainability.

A further challenge concerns the quality and long-term sustainability of employment created by social enterprises. While social enterprises may facilitate labour-market integration, it remains debated whether they provide stable pathways to decent work or primarily function as transitional mechanisms helping beneficiaries acquire skills and subsequently enter the

[32] Colombo, *cit.*, p. 59.

[33] Huybrechts, Pérez Suárez, Cobeña, Sánchez-Torné, *Energy Co-operatives in Spain: The Role of Social Enterprises in the Energy Transition*, in *Fut*, 2024, 160, 103381.

[34] Kim, Fairley, *Social Enterprise as a Catalyst for Progress Toward the Sustainable Development Goals: A Multi-Case Study*, in *IJCF*, 2024, 2, pp. 27-40.

[35] Barna, Zbuchea, Stănescu, *Social Economy Enterprises Contributing to the Circular Economy and the Green Transition in Romania*, in *CIRIEC-E*, 2023, 107, pp. 47-69.

[36] Bacq, Janssen, Sabbatucci, Wuillaume, *cit.*

open labour market. In some cases, efforts to secure revenues, donations or market access may create dependency rather than empowerment among beneficiaries[37].

As social and environmental objectives increasingly become part of corporate strategies, both for-profit and non-profit organisations may overstate their social or environmental impact, creating a gap between declared objectives and actual practices. The problem of 'social washing'[38] appears if declared commitment toward social sustainability issues proves to be false or exaggravated, if there is distinction between "what is claimed" and how the entity operates[39]. Similarly, "greenwashing" is currently understood as a PR tactic used to make a company or product appear environmentally friendly without significantly reducing its negative impact on the environment. The goal is to improve the company's image in the eyes of the public or increase its sales by convincing us that buying from them aligns with customer values[40]. Such behaviour undermines public trust and may weaken the legitimacy of social and environmental initiatives.

From a legal perspective, above limitations demonstrate that the positive effects of social enterprises cannot be taken for granted. Their ability to contribute to a just transition depends not only on organisational motivations and community engagement but also on the legal and institutional framework governing their operation.

Legal regulation therefore plays a central role in shaping incentives, promoting transparency, accountability and effective monitoring of social and environmental claims to prevent and punish practices such as social washing or greenwashing[41].

The following chapter examines whether the Slovak legal framework provides adequate conditions for social enterprises to fulfil their environmental, labour-market and social welfare functions effectively.

[37] Bacq, Janssen, Sabbatucci, Wuillaume, *cit*.

[38] "Social washing practices include hiding negative information, spreading false positive information, and misleading advertisements on topics concerning human rights, work conditions, gender equality, and local community empowerment": Emerick, *What Is Social Washing?*, in *ESGR*, 2021, available at www.esgthereport.com.

[39] Locatelli, Zagaria, Dei, Sainati, *Social Washing in Architecture, Engineering, and Construction Firms*, in *JMEng*, 2025, 41, 04024060, pp. 2-3.

[40] De Freitas Netto, Sobral, Ribeiro, Soares, *Concepts and Forms of Greenwashing: A Systematic Review*, in *ESE*, 2020, 32, 19, p. 2.

[41] Locatelli, Zagaria, Dei, Sainati, *cit.*, p. 32.

5. *Social entrepreneurship in Slovakia*

This chapter examines the Slovak legal framework for social entrepreneurship from the perspective of its capacity to support social enterprises as actors of a just transition.

5.1. *The legal framework and core concepts under national law*

In Slovakia, a social enterprise, specifically of the WISE (Work Integration Social Enterprises) type, was for the first time anchored in legislation in 2008 with an amendment to Act No. 5/2004 Coll. on Employment Services[42]. Under this act a social enterprise was assigned among the instruments of an active labour market policy. The 2008 framework required social enterprises to employ disadvantaged jobseekers, reinvest part of their income into job creation or the improvement of working conditions, and supported them through allowances for creating and maintaining jobs during the initial period of operation. However, this model was relatively narrow. After the relevant allowances were abolished in 2013 and other active labour-market measures were no longer linked to social enterprise status, interest in obtaining this status declined. The period between 2013 and 2017 may therefore be understood as a phase of stagnation in the development of social entrepreneurship in Slovakia[43].

From the perspective of a just transition, this early development is significant. It confirms that the Slovak regulatory model initially framed social enterprises primarily as tools of labour-market integration rather than as broader actors capable of combining employment, social inclusion and environmental sustainability. As a result, the employment-related and welfare functions of social enterprises became more strongly institutionalised than their environmental function.

[42] Cooperative traditions in the territory of present-day Slovakia date back to the nineteenth century, with the *Gazdovský spolok* in Sobotište (1845-1861) often cited as an early example of self-help and cooperative organisation. Social enterprise as a legal category developed much later and became closely linked to active labour-market policy. See Lehocká, Holeková, Schinglerová, Kubalová, Nehaj, Ondruš, *Výzvy sociálneho podnikania v SR (Ekonomické a sociálne prínosy sociálneho podnikania)*, Ministerstvo práce, sociálnych vecí a rodiny Slovenskej republiky, Ministerstvo práce, sociálnych vecí a rodiny Slovenskej republiky, 2023, p. 8.

[43] Pongrácz, *Social Economy and Social Entrepreneurship - The Manifestation of Social Responsibility in the Era of Globalization*, in *SHS*, 2020.

Recently, the Ministry of Labour of the Slovak Republic emphasizes inclusive function of social economy as part of social welfare: "The social economy can be characterized and considered as a part of the economy driven by solidarity, with its primary role being the fulfilment of social goals, often pursuing societal objectives. In its basic understanding, the social economy can be expressed as a tool for modernizing the welfare state and its partner"[44].

Currently, Act No. 5/2004 Coll. on Employment Services generally addresses the support of employment and defines tools for active labour market measures. Part Eight of the Act pertains to the employment of persons with disabilities and their retention in employment. It establishes conditions for providing wage subsidies and costs associated with employing disadvantaged persons. It sets conditions for providing financial support for projects aimed at social inclusion, regardless of whether the employers are regular employers or specifically social enterprises, and other indirect support measures such as the quota system.

The recent legal framework for social entrepreneurship is based primarily on Act No. 112/2018 Coll. on Social Economy and Social Enterprises, as amended[45], as *lex generalis,* with the Ministry of Labour, Social Affairs and Family of the Slovak Republic[46] as its promoter.

The successive amendments to Act 112/2018 suggest that the Slovak legislator continues to search for an appropriate regulatory balance in this field. On the one hand, the legal framework must create sufficiently attractive incentives for the development of social enterprises. On the other hand, it must ensure transparency, accountability and effective control in order to prevent the misuse of public support, tax advantages or other benefits associated with registered social enterprise status.

This Act broadened the regulatory framework by defining entities of the social economy and social enterprises. It also introduced the concept of measurable positive social impact and established institutional support structures. The regional assistance shall be provided through the Social Economy Institute and its eight regional offices to provide technical assistance to social economy entities and entrepreneurs. Also strengthened the role of

[44] Ministry of Labour, Social Affairs and Family of the Slovak Republic, *Sociálna ekonomika*, available at www.employment.gov.sk (accessed 18 April 2025).

[45] Hereinafter referred to as "Act 112/2018".

[46] Hereinafter referred to as "the Ministry of Labour".

regional governments in supporting the social economy in a given specific region. Municipalities are allowed to establish their own social enterprises.

This confirms that the Slovak legal framework is, at least formally, capable of accommodating the threefold role of social enterprises identified above: environmental, labour-market and welfare-related.

5.2. *Statutory criteria of social enterprises and enterprises with social impact*

In the logic of the Act, a social enterprise represents a specific institutional form operating within a wider social economy ecosystem.

This Act contains its own legal definition of subjects of social economy: "An entity of the social economy can be a civic association, foundation, non-investment fund, non-profit organization, church-related institution, business company, cooperative, or a self-employed individual who is an employer, who:

a) is not predominantly controlled by a state authority, is not primarily financed[47] by a state authority, does not appoint or elect the statutory body or more than half of its members, and does not appoint or elect more than half of the members of the management or supervisory body,

b) engages in economic or non-economic activities within the framework of social economy activities, and

c) if they conduct business or other profit-making activities according to special regulations, they do not do so exclusively for the purpose of making a profit or use the profit in a manner according to this law".

Act 112/2018 defines social enterprise as a social economy entity through several key criteria: (1) continuous economic activity, (2) the pursuit of a measurable positive social impact, (3) reinvestment of more than 50% of profit, and (4) the involvement of stakeholders in governance[48]. These criteria reflect a hybrid model combining entrepreneurial activity with social objectives.

From the perspective of a just transition, these criteria are important because they may enable social enterprises to combine employment creation, social inclusion and environmental objectives. However, the effec-

[47] Under Section 4, para. 2, financing does not include the provision of support according to this Act or to special regulations.

[48] Act 112/2018, Section 5, para. 1.

tiveness of this model depends on how positive social impact is defined, measured and supported in practice.

The requirement of measurable positive social impact is central to the Slovak model. Normatively, it creates a mechanism through which social enterprises should demonstrate that their activities produce benefits beyond ordinary market activity. However, if measurement focuses predominantly on employment outcomes, the environmental contribution of social enterprises may remain insufficiently visible.

The obligation to reinvest more than 50% of profit supports the primacy of social purpose over profit maximisation. This criterion may strengthen the social and welfare function of social enterprises. At the same time, it may create tensions with economic sustainability, particularly where enterprises operate in sectors with low margins or limited access to stable funding.

The involvement of stakeholders in governance may support participatory decision-making and local embeddedness. This is relevant for a just transition, as locally accepted solutions are particularly important in communities affected by economic restructuring. However, the practical impact of this criterion depends on the actual quality of participation rather than on its formal existence.

A central element of the Slovak statutory model is the requirement of a positive social impact. Pursuant to § 2, a positive social impact for the purposes of this law is the fulfilment of public interest or community interest. The fulfilment of public interest for the purposes of this law is the provision of socially beneficial services for society as a whole or for an unlimited circle of individuals, the provision of socially beneficial services to disadvantaged or vulnerable persons, and the provision of socially beneficial services according to subsection 4, letters g), i), and j). The fulfilment of community interest for the purposes of this law is the provision of socially beneficial services for a group of persons that can be defined and identified according to territorial, membership, interest, or other objective criteria, excluding the provision of socially beneficial services to disadvantaged or vulnerable persons and socially beneficial services according to subsection 4, letters g), i), and j).

Socially beneficial services for the purposes of this law under art. 2, para. 4 include:

a) the provision of healthcare,
b) the provision of social assistance and humanitarian care,

c) the creation, development, protection, restoration, and presentation of spiritual and cultural values,

d) the protection of human rights and fundamental freedoms,

e) education, upbringing, and the development of physical culture,

f) research, development, scientific and technical services, and information services,

g) the creation and protection of the environment and the protection of public health,

h) services to support regional development and employment,

i) ensuring housing, management, maintenance, and renewal of the housing stock,

j) providing financial resources to social economy entities for the performance of socially beneficial services according to letters a) to i).

Section 5 of Act 112/2018 distinguishes between a (1) social enterprise and (2) an enterprise with social impact. A social enterprise is a social economy entity that carries out continuous economic activity while pursuing measurable positive social impact as its primary objective. It must contribute to this impact through its goods, services or the manner of their provision, reinvest more than 50% of its post-tax profit to achieve its main social objective, and involve stakeholders in the governance of its economic activity.

An enterprise with social impact represents a broader and more flexible category. It may take various legal forms, including civic associations, foundations, non-profit organisations, business companies, cooperatives or self-employed individuals. The primary goal of at least one of their economic activities is to achieve a positive social impact, and they meet at least two of the following conditions:

a) The goods or services they produce, supply, provide, or distribute contribute to achieving a positive social impact, or the manner of their production or provision contributes to it,

b) Within one year from the date of approval of the regular financial statements, which demonstrated a positive economic result for the relevant accounting period, they use more than 50% of the post-tax profit from the economic activity, whose primary goal is to achieve a positive social impact, to achieve this primary goal,

c) They involve interested persons in the management of the economic activity, whose goal is to achieve a positive social impact.

The distinction between social enterprises and enterprises with social impact creates a graduated regulatory model. Social enterprises are subject to stricter cumulative criteria, whereas enterprises with social impact provide a more flexible form of participation in the broader social economy. From the perspective of a just transition, this model is potentially useful because it allows different types of actors to combine economic activity with social or environmental objectives. Its effectiveness, however, depends on the meaningful measurement of positive social impact, monitoring of profit reinvestment and the availability of incentives supporting environmental, labour-market and welfare-related functions.

Normatively, Act 112/2018 creates a broader basis for social enterprises than the earlier WISE model. It allows social enterprises to pursue public-interest or community-interest objectives and recognises a wide range of socially beneficial services. It is particularly important that these services include not only social assistance and employment-related activities, but also the creation and protection of the environment, public health, education and regional development. This approach indicates that Slovak legislation understands the social economy not merely as a set of legal forms, but as a sector oriented towards activities producing benefits beyond ordinary market exchange.

5.3. *Registered social enterprises*

Act 112/2018 introduced the registration and distinguishes (1) registered social enterprises and (2) unregistered (*de facto*) social enterprises, which are active in the broader context of social economy. It also establishes criteria and classification of registered social enterprises based on the extent of its operation or based on the object of its operation.

Registered social enterprise status transforms a socially oriented economic actor into a formally recognised legal category. It confirms compliance with statutory criteria and links social enterprise status to support mechanisms, incentives and public oversight.

Control over registered social enterprises operates at two main levels. First, registration functions as an *ex ante* control mechanism. Registered social enterprise status is granted by the Ministry of Labour, Social Affairs and Family only after assessment of whether the applicant fulfils the statutory conditions. In this sense, control begins already at the entry stage: the state

examines whether the applicant has the legal, organisational and governance arrangements necessary to achieve measurable positive social impact. Second, registered social enterprises are subject to continuing obligations during the period in which their status remains valid. These include obligations concerning the reinvestment of more than 50% of post-tax profit to achieve the primary social objective, annual reporting, submission of the annual report to the Ministry and publication of the annual report. Registered social enterprises must also comply with rules attached to public support, including obligations concerning wages declared in connection with public support, limits on certain wage and non-wage costs, reporting of beneficial owners in prescribed cases, and restrictions concerning transactions with related persons or the disposal of assets acquired from public support.

In addition, transparency is supported by the public register of registered social enterprises[49]. The register contains information such as the name of the social enterprise, its legal form, certificate number, type of registered social enterprise, registered seat, date of recognition of status, date and reason for termination or cancellation of status, measurable positive social impact and the socially beneficial service performed by the enterprise[50]. The register therefore functions as an instrument of public transparency, enabling external monitoring.

Section 11 of Act 112/2018 classifies registered social enterprises according to two criteria. First, it distinguishes them according to the type of interest through which they achieve positive social impact. A registered social enterprise that fulfils public interest is classified as a public-benefit enterprise, whereas a registered social enterprise that fulfils community interest is classified as a community-benefit enterprise[51].

Second, the Act distinguishes registered social enterprises according to the focus of their activities. From this perspective, a registered social enterprise may be an integration enterprise, a social housing enterprise or a general registered social enterprise. "Integration enterprises" are particularly linked to employment and regional development, as their function is to support the labour-market integration of disadvantaged or vulnerable persons. "Social housing enterprises" pursue housing-related socially beneficial

[49] Act 112/2018, Section 27.

[50] Register of Registered Social Enterprises, available at www.registre.socialnaekonomika.gov.sk.

[51] Act 112/2018, Section 11, para. 1.

objectives. "General registered social enterprises" may perform a broader range of socially beneficial services, including activities related to healthcare, social assistance, education, culture, environmental protection, regional development and employment[52].

The integration function is reinforced by the broad statutory definitions of disadvantaged[53] and vulnerable persons[54]. These categories include, inter alia, long-term unemployed persons, young persons without stable employment, persons over 50 years of age, persons with low educational attainment, single carers, persons from least developed districts, members of national or ethnic minorities requiring skills development, persons with disabilities, recipients of social services, persons leaving institutional care, carers returning to the labour market, former prisoners, stateless persons and persons granted international protection. This broad personal scope confirms that integration enterprises are designed as instruments of active labour-market policy and social inclusion.

This typology confirms the flexibility of the Slovak legal framework. It allows registered social enterprises to pursue different public-interest or community-interest objectives and to operate in several fields relevant to a just transition. At the same time, it also reveals an important structural feature of the Slovak model: the most explicitly defined and practically significant category is the integration enterprise. This reflects the historical orientation of Slovak social entrepreneurship towards labour-market integration and active labour-market policy, while the environmental function of social enterprises remains legally possible but less specifically institutionalised.

5.4. *Regulatory imbalance in the Slovak model*

The Slovak model of social entrepreneurship reveals a certain regulatory imbalance. Formally, Act 112/2018 allows social enterprises to pursue a broad range of socially beneficial services, including environmental protection, public health, regional development and employment. However, the practical development of the sector suggests that these functions are not equally activated.

[52] Act 112/2018, Section 11, para. 2.
[53] Act 112/2018, Section 2, para. 5.
[54] Act 112/2018, Section 2, para. 6.

First, the Slovak model has developed primarily through the logic of active labour-market policy and work integration. Social entrepreneurship was initially linked to the employment of disadvantaged and vulnerable persons, and this historical orientation continues to shape the sector. Many social enterprises are established by municipalities or regional self-government and focus on creating employment opportunities in regions with limited job opportunities[55]. This confirms the strength of the labour-market and welfare-related functions of social enterprises in Slovakia.

Second, the environmental function of social enterprises remains less developed in practice. Although environmental protection is legally recognised as a socially beneficial service, explicitly environmentally oriented social enterprises appear to be less prominent than integration enterprises. Some social enterprises operate in fields such as landscape maintenance, forestry, gardening or agriculture[56], but environmental activities often appear to be secondary or indirect rather than forming the central identity of these enterprises. The environmental function of social enterprises is therefore legally possible, but less strongly institutionalised and less systematically supported. This does not necessarily mean that social enterprises should be expected to become direct instruments of environmental policy. Their potential contribution lies rather in activities where the green transition creates or reshapes local social and labour-market needs.

Third, weaknesses in data collection, monitoring and evaluation limit the capacity of the state to assess the real contribution of social enterprises. The effectiveness of the Slovak framework depends not only on the formal recognition of registered social enterprises, but also on reliable information about their actual outcomes. Without robust data on employment effects, quality of jobs, social inclusion and environmental contribution, it is difficult to evaluate whether social enterprises genuinely fulfil their declared functions, especially where public or EU funds are used to support the sector.

A share of social enterprises is recently over 600. However, the publicly available catalogue of social enterprises[57] based on the register is outdated,

[55] Ministry of Labour, Social Affairs and Family of the Slovak Republic, *Sociálna ekonomika*, cit.

[56] Ministry of Labour, Social Affairs and Family of the Slovak Republic, *Mapa registrovaných sociálnych podnikov*, available at www.katalogsp.gov.sk (accessed 18 April 2025).

[57] Ministry of Labour, Social Affairs and Family of the Slovak Republic, *Mapa registrovaných sociálnych podnikov*, cit.

there is data chaos and lack of intersectionality in operation in field of social economy and lack of clear strategy by the Ministry of Labour, as pointed out by the latest report based on of social enterprises of the national Supreme Audit Office of the Slovak Republic[58]. Social enterprises, which are meant to be an active tool for integrating disadvantaged groups of people and the long-term unemployed into the work environment, are not being fully utilized in Slovakia. Due to the lack of an information system, the Ministry of Labour does not have sufficient data on the employees of these enterprises, and therefore has been unable to evaluate the effectiveness of individual support mechanisms. As a result, most forms of support for disadvantaged groups either did not work at all or were ineffective, according to SAO report[59].

Fourth, the Slovak context suggests that market demand alone may not be sufficient to activate the environmental potential of social enterprises. The INTERCEPT study indicates that Slovak stakeholders perceive environmental regulation rather than market demand for green products or services as the main driver of the Green Transition[60]. This supports the argument that legal regulation, active labour-market measures and targeted education are particularly important in Slovakia. If spontaneous market incentives are weak, public policy must create conditions enabling social enterprises to link employment creation, social inclusion and environmental objectives.

Overall, the weakness of the Slovak model is not the absence of environmental objectives in legislation, but their insufficient practical activation and weak governance and limited evaluation. Future reforms should therefore focus not only on increasing the number of registered social enterprises, but also on improving the effectiveness of their contribution and its measurement. This requires better monitoring without unnecessary administrative burden, targeted support for environmentally oriented social enterprises, and clearer links between social and green transition policies.

At the same time, the Slovak model provides relatively favourable preconditions for the labour-market and welfare-related functions of social

[58] Hereinafter referred to as "SAO".

[59] Najvyšší kontrolný úrad Slovenskej republiky, *Správa o výsledku kontroly 2023: Sociálne podniky*, 2024, available at www.nku.gov.sk (accessed 18 April 2025).

[60] Intercept Project, *Slovakia: Country Report*, 2022, available at www.interceptproject.eu (accessed 18 April 2025).

enterprises. Integration enterprises are legally and institutionally designed to support the employment of disadvantaged and vulnerable persons, and public incentives may be justified where social enterprises help develop work habits, skills and access to employment for groups facing barriers in the labour market. In this respect, social enterprises may operate as instruments of active labour-market policy and social inclusion.

The possibility of profit generation is particularly relevant for the long-term sustainability of social enterprises. Public incentives may be justified where social enterprises perform labour-market and welfare-related functions, especially by integrating disadvantaged persons into employment. However, if social enterprises are to become sustainable actors of a just transition, they must also be capable of developing viable business models. The Slovak model reflects this dual logic: it permits entrepreneurial activity and profit generation, while requiring that profit be primarily reinvested in the achievement of positive social impact. If a social enterprise generates profit, more than 50% of its post-tax profit must be used to achieve its primary social objective. The Slovak model therefore does not treat social enterprises as purely charitable, incentive-dependent or non-profit actors, but as hybrid economic entities whose market activity is legally linked to social purpose, profit reinvestment and stakeholder involvement.

6. *Conclusion*

International frameworks, including the UN SDGs, ILO Guidelines and the EU Green Deal, provide important guidance for national strategies on the green transition. However, the transition towards a greener economy must also be aligned with the principles of decent work and social inclusion. While environmental transformation may create new employment opportunities, it may also generate social risks for workers, households and regions dependent on traditional sectors. Labour law, social policy and active employment measures therefore play an essential role in ensuring that the Green Transition is also a just transition.

Three conclusions follow. First, the legal framework should more explicitly connect social entrepreneurship with environmental and climate-policy objectives. Second, the measurement of positive social impact

should be complemented by clearer tools for assessing environmental impact. Third, support mechanisms should reduce unnecessary administrative burdens while strengthening transparency, monitoring and accountability.

Social enterprises may contribute to a just transition through their environmental, labour-market and welfare-related functions. They may support sustainable activities, facilitate access to employment for vulnerable groups and complement welfare-state policies aimed at mitigating transition-related risks. However, their contribution cannot be taken for granted. It depends on their economic sustainability, organisational capacity and the legal framework governing their operation.

From the perspective of decent work, social enterprises should not be evaluated only in terms of job creation, but also in terms of job quality, adequate remuneration and long-term employment prospects. Their attractiveness may remain limited if wages and career opportunities are significantly weaker than those offered by large industrial employers. Moreover, if social enterprises are to become economically sustainable actors of a just transition, they cannot remain permanently dependent on public subsidies or project-based funding. Hybrid business models and targeted public education may strengthen both their viability and social recognition.

The Slovak legal framework provides a basis for social entrepreneurship, but its role in a just transition remains insufficiently articulated and depends on stronger governance, monitoring and impact evaluation. Future reforms should not simply expect social enterprises to pursue environmental objectives as such, since activities with primarily environmental goals may have limited commercial viability and may remain dependent on public support. Rather, regulation should identify areas where social enterprises can realistically combine labour-market inclusion, decent work and socially useful activities related to the green transition, while strengthening impact measurement, targeted incentives and long-term economic sustainability.

Abstract

This article examines the role of social enterprises in linking decent work, social inclusion and environmental sustainability in the context of a just transition. It contributes to legal scholarship by extending the discussion on just transition beyond traditional labour-law instruments and by examining social enterprises as potential institutional actors linking decent work, social inclusion and transition-related activities. The article argues that social enterprises should not be understood as direct substitutes for environmental policy, but rather as actors in the social dimension of the green transition. The Slovak case study shows that a formally broad legal framework does not automatically ensure the balanced development of their ability to combine environmental, labour-market and welfare-related goals. Instead, the Slovak model reveals a regulatory imbalance and governance weaknesses, particularly in data collection and impact measurement, that limit the effective contribution of social enterprises to a just transition.

Keywords

Labour law, Social entrepreneurship, Vulnerable workers, Social inclusion, Just transition.